

AVOID COMMON TAX RETURN ERRORS

WASHINGTON -- The number most likely to be wrong on a tax return isn't an income or deduction amount, according to the Internal Revenue Service -- it's the identification number for the taxpayer, spouse, or dependent. This was the most frequent error last year and the second most common mistake in returns received by the IRS through February 1998.

Most Americans use a Social Security number (SSN) as their identifying number for tax purposes. Persons not qualifying for an SSN should file Form W-7 to obtain an IRS-issued Individual Taxpayer Identification Number (ITIN). Parents who have a child living with them pending legal adoption may need to file Form W-7A with the IRS to request an Adoption Taxpayer Identification Number (ATIN).

In addition to their own SSN, taxpayers must list the numbers for their spouse and dependents, qualifying children for the Earned Income Tax Credit (EITC), and both the child care provider and qualifying children for the Child Care Credit. Listing the child's name and number on the Child Care Credit form is new this year.

In more than 2.5 million instances last year, the required number either was missing or did not match IRS or Social Security records for the name used. The IRS then removed the credit or exemption claimed, resulting in a smaller refund or a tax bill.

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The EITC was the second most frequent error subject in 1997 and has been in the top spot this year. In addition to errors in the credit amount, some taxpayers claim it even though they do not qualify, either because of income or age.

A taxpayer with one qualifying child must have 1997 income under \$25,760 to claim the EITC. With two or more children, the limit is \$29,290. The limit includes such nontaxable earned income as housing allowances and contributions to a 401(k) plan. Some EITC claimants overlook these amounts, which are in box 13 of Form W-2.

Those without a child may claim the EITC if their 1997 income was less than \$9,770, but they must be at least age 25 and less than 65. Failure to observe this age limitation was the most frequent error on last year's Form 1040EZ.

More than 150 local IRS offices will observe EITC Awareness Day this Saturday from 9:00 a.m. to 3:00 p.m., offering tax return help to potential credit eligibles.

Two errors follow identification numbers and the EITC in frequency. Together they totaled more than 950,000 last year. The first is figuring the refund or balance due amount, which involves subtracting the tax paid from the total tax liability. The other is getting the correct tax from the tax table. Table users follow the line for their taxable income to the tax column for their filing status.

The IRS cautions that the tax table's income ranges are labeled "at least" one amount "but less than" a second amount, generally a \$50 increment. Some taxpayers with taxable incomes falling exactly at a \$50 multiple mistakenly use the line for "less than" the amount, rather than the one for "at least" that amount.

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One way to significantly reduce the possibility of error is to use an IRS e-file option. Fewer than one percent of electronic returns have errors of any kind. As of March 20, the IRS had received nearly 19.8 million e-filed returns, exceeding the 19.2 million received during all of last year. Nearly 15 million returns came via computer, including over 600,000 from home computer users. The other 4.8 million arrived through TeleFile, the IRS's file-by-phone system.

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1998 FILING SEASON STATISTICS

Cumulative through the week ending 3/21/97 and 3/20/98

	<u>1997</u>	<u>1998</u>	<u>% Change</u>
Individual Income Tax Returns (electronic and paper)			
Total Receipts	55,703,000	56,120,000	0.7
Total Processed	44,841,000	47,517,000	6.0
E-filing -- Total Receipts:			
Standard E-file	12,108,000	14,964,000	23.6
TeleFile	3,809,000	4,786,000	25.6
Refunds Certified by the Martinsburg Computing Center:			
Number	40,948,000	43,218,000	5.5
Amount	\$55.106 billion	\$60.363 billion	9.5
Average Refund	\$1346	\$1397	3.8
Direct Deposit Refunds:			
Number	12,626,000	14,562,000	15.3
Amount	\$23.172 billion	\$27.210 billion	17.4